

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 AGR-20

COME-00 SWF-02 L-03 CIAE-00 INR-10 NSAE-00 PA-04

USIA-15 PRS-01 DRC-01 /152 W
----- 076290

R 291910Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7140

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMCONSGEN GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN JOSE 2030

E.O. 11652: GDS

TAGS: ETRD, CS

SUBJECT: BANANAS--GOCR NEGOTIATIONS WITH STANDARD GET
OFF ON RIGHT FOOT

REF: SAN JOSE 1998

1. CONVERSATIONS BETWEEN THE GOCR AND STANDARD FRUIT SEEM
TO HAVE GOTTEN OFF ON A GOOD FOOT WITH THE FIRST SESSION BEGINNING
LATE MAY 27 AND A SECOND ON MAY 28. THE GOCR TEAM HAS CON-
SISTED OF MINISTER OF ECONOMY, INDUSTRY AND COMMERCE SANCHEZ,
MINISTER OF AGRICULTURE AND LIVESTOCK GARRON AND EX-MINISTER
CLAUDIO ALPIZAR. EX-PRESIDENT FIGUERES AND EX VICE PRESIDENT
ROSSI HAVE BEEN NAMED AS ADVISERS BUT NEITHER HAS PARTICIPATED
IN DISCUSSIONS. AS REPORTED, THE STANDARD TEAM IS HEADED BY
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THE LOCAL MANAGER. DESPITE LIVELY PRESS INTEREST,

UNCHARACTERISTICALLY FOR COSTA RICA, SO FAR SECRECY OF THE DISCUSSIONS HAS BEEN PRESERVED. ACCORDING TO A MEMBER OF THE STANDARD TEAM, EDUARDO DE LA ESPRIELLA, DISCUSSIONS HAVE REVOLVED AROUND THE NEW BANANA EXPORT TAX AND A FAIR PURCHASE PRICE FOR STANDARD'S COSTA RICAN ASSETS. NO CONCLUSIONS HAVE YET BEEN REACHED. TODAY, MAY 29, GOCR AUDITORS WILL GO OVER STANDARD'S BOOKS IN ORDER TO DETERMINE TRUE VALUE OF STANDARD'S HOLDINGS.

2. DE LA ESPRIELLA TOLD US THAT HE IS UNABLE TO DETERMINE AT THIS POINT WHETHER THE GOCR WAS GENUINELY INTERESTED IN KEEPING ITS PURCHASE OPTION OPEN OR WAS MERELY PURSUING THIS LINE TO GAIN TIME. HE DID FEEL, HOWEVER, THAT THE GOCR NEGOTIATORS ARE FAIRLY DISENCHANTED WITH THE EXPORT TAX IDEA AND THAT THE MAIN FACTORS PREVENTING THEM FROM ABANDONING IT IS THE EXISTENCE OF INTERNATIONAL COMMITMENTS AND THE DIFFICULTY OF GETTING OUT OF THE CORNER INTO WHICH THEY HAVE PUBLICLY PAINTED THEMSELVES.

3. DE LA ESPRIELLA COMMENTED MOST FAVORABLY ON BOTH THE TONE OF DISCUSSIONS AND THE PREPARATION OF THE GOCR NEGOTIATORS. HE INDICATED THAT FOR THE FIRST TIME SINCE THE TAX IDEA SURFACED, THERE IS DIALOGUE AND THE COSTA RICANS APPEAR TO APPRECIATE THE ECONOMIC CONSIDERATIONS INVOLVED. STILL HE SAID THE COSTA RICANS WERE TOUGH NEGOTIATORS AND ON SOME POINTS QUITE HARDHEADED.

4. IN A RELATED DEVELOPMENT, ON MAY 27 THE PANAMANIAN AMBASSADOR WITH MUCH FANFARE DONATED TWO CHECKS, DRAWN ON THE NATIONAL BANK OF PANAMA IN THE AMOUNT OF \$500,000 EACH, TO PRESIDENT ODUBER "FOR WHATEVER IS NECESSARY IN THE BANANA CRISIS". REPORTEDLY GENERAL TORRIJOS SENT A LIKE AMOUNT TO HONDURAS. DE LA ESPRIELLA BELIEVES, AND WE ARE INCLINED TO AGREE, THAT THIS MOVE WAS TIMED PRIMARILY TO PROVIDE STARCH FOR THE GOCR NEGOTIATORS ON THE TAX ISSUE. DE LA ESPRIELLA ALSO REPORTED THAT HE UNDERSTOOD UNITED BRANDS' FIRST PAYMENT OF THE TAX TO PANAMA IN THE AMOUNT OF \$5 MILLION WOULD FALL DUE ON SATURDAY, JUNE 1. IF TAX IS PRESSED, HE SAID THIS COULD CREATE A CRISIS IN GOP-UNITED BRANDS RELATIONSHIPS.

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